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MULTI DIMENSIONAL STUDY OF CUSTOMER PERCEIVED VALUE FOR 4 STAR HOTEL

Preliminary study

Levyda

Abstract

There are three important reasons why the customer perceived value of research is very important. First, the customer perceived value varies depending on the type of product. Secondly, there is still debate whether customer perceived value is more appropriate as a uni-dimension or multi-dimension construct. Third, there is still debate whether, customer perceived value as a formative or reflective construct. The aim of this study was to identify the dimensions and indicators for measuring the customer perceived value and role of each dimension on customer perceived value in 4 star hotels in Jakarta. Dimensions of perceived value on hotel consists of functional value, emotional and social. Functional value consists of the functional value of the hotel building, functional value of guestroom, the functional value of food & beverage service, functional value of employee services, and functional value of price. The study was conducted on 100 hotel guests in Jakarta. The data were processed using the software PLS XL Stat. The dimensions are valid and reliable for measuring customer perceived value. The most dominant indicator of each dimension is the beauty of the interior of the building hotels, bed comfort, delicious food, employees are ready to help, with the price equivalence service, find it practical and prestige are higher due to stay at a 4 star hotel.

Key words: customer perceived value, 4 star hotel, Jakarta

Introduction

The number of hotel and hotel rooms in Jakarta suspected of disproportionate to the development of hotel room occupancy rate. Four star room occupancy rate is still below 60%, Based on the best practice, ideal occupancy rate is 70 percent. To optimize the room occupancy rate, generally the hotel using yield management this tactic in the long term will reduce hotel revenue and affect the brand image as it needs other strategies (Bojanic, 1996:5).

Kandampully and Suhartanto (2000:346) stated that in the number of rooms that over supply, the use of the rooms are not optimal and the average length of stay low, the level of competition in the hotel industry is high. This condition implies the customer has a better bargaining position and guests have many choices and tend to be disloyal. The cost to acquire new customers is more expensive than maintaining it is necessary to establish long-term relationships.

Bowen and Shoemaker (1998:16) suggested that hotels should be more oriented to building long-term relationships. by increasing customer loyalty through customer value. Additionally superior customer value increase competitive advantage (Slater & Narver, 2000:120; Woodruff, 1997:151; Raval & Gronroos, 1996:19). Parasuraman & Grewal (2000:9) argues that to understand the market and deliver customer value, is an effective way to serve our customers and consumers. From the customer perspective, customer value is more important than quality because it directly affects consumer decisions (Huang & Tai, 2003:45).

Perceived value to the customer relationship customer loyalty has been proven by Williams & Soutar (2009); Roig, Gracia, Tena (2009); Simova (2009); Sanchez, Callariza, Rodriguez, Moniler (2006); Pura (2004); Lee & Overby, (2004), Sweeney & Soutar (2001), Cronin, Bardy, Hult (2000), Oh (1999). Hotel managers need information what constitutes customer perceived value in order to decide the specific field of improvements. Customer perceived value as a multidimensional formative construct is appropriate to issue the hotel manager. The purpose of this paper is to develop a model customer perceived value based on guest experience, and found the dimensions and indicators that have a great influence.

Literature Review

Discussion of value in marketing has been done for 30 years but it still needs to be revisited and refined (Gallarza, Gil-Saura, Holbrook, 2011). Further they argued that the research challenges of value is in the concept and methodology. There are many concepts of value in marketing: the value, consumer value, customer value, perceived value and customer perceived value. Their meanings are overlapping concepts. This study uses the term customer perceived value due to the clarity of the meaning of the term. Some authors consider this term is the same as the perceived value and customer value (Chen & Dubinsky, 2003:326).

Sanchez-Fernandez & Iniesta Bonillo (2007: 430) classifies the study perceived value into two streams, the first stream operate perceived value as a uni-dimension construct and operate a second stream of perceived value as a multi-dimension construct. Focus stream of the first study is antecedent of customer perceived value, while the second discusses the attributes or dimensions that are used to predict the perceived value as a single entity representing a complex phenomenon. Fundamental difference between both of them is that the roots of uni-dimensional approach is the economic theory and cognitive psychology roots while multi-dimensional approach is consumer-behavior psychology. The focus of the discussion multi-dimensional approach is looking direction of value improvement. Challenges of multi-dimensional approach is the lack of uniformity of component value.

Podsakoff (2006) in Ruiz (2008) suggested that social science researchers using a higher order model because the model each dimension is an important component to observed construct. Customer perceived value relatively complex construction in this study used the higher order model.

Currently debate in perceived value is whether customer perceived value as reflective or formative construct. Lin, Shen and Shih (2005) used four conditions put forward by Jarvito assess a construct is formative or reflective, namely (1) the direction arrows from construct to the measuring in accordance with conceptual definition, (2) exchange indicator, (3) covarian between indicators and (4) nomological network. Therefore, researchers must determine the measurement model and the structural model did not allow to specify. Respond to the debate, Ulaga (2011) suggested that it depend on purpose of research researchers wanted to know whether the overall perception of value or want to know the driver of each value.

Woodruff & Grady (1996:7) mention that value is not inherent in product and service themselves rather it is experienced by customer as a consequence of using the supplier products and services for their own purposes". Guest experience in hotel starting from reservation to checkout. Since variations of reservation in this research, customer perceived value to be traced from arrival to check out.

Yuan (2009: 127) concluded that the activity of one of the hotel as the hotel hospitality business, consisting of the functions and services. There are 5 functions in the hotel room, food & beverages, facilities, personnel and decoration. Service consists of room service, housekeeping service, atmosphere, cleanliness, hospitality.

The hotel is a hospitality services which covers 3 domain characteristics are the social domain, private domain, and the domain commercial (Slattery, 2002). The social means in the hospitality domain emphasizes "hospitable" or hospitality between guest (guest) and host (host), thus the emotional and social values are very important in hospitality services. Private domain, explaining that the provision, food & beverage and accommodation, "host" pay attention "guest" as an individual. In the commercial domain, guest and hotelier relationships occur in the context of a business to generate "return". Based on the meaning of hospitality, it is concluded that the hotel offers accommodation and food & beverage with emphasis on hospitality and personal service to make a profit.

Silvitro classified hotel into service shop which people and facilities use in a balanced (Ng, Russell-Bennett, Dagger, 2007:475). Consequently devices or physical facilities and employees are critical elements.

The theory of consumption value, developed by Sheth, Newman, Gross (1991) explained that consumer choice is a function of multiple consumption value, consumption value of each contributing different, each is independent of the value of consumption. There are 5 types of values that is functional value, emotional value, social value, value and condition epistemic value.

Based on characteristic of service, hospitality dan hotel, hypothesis of this study is customer perceived value for a four star hotel consisting of functional value in hotel consists of functional value of room, building, functional value of hotel building, functional value of meal, the functional value of service employees.

Based on the opinion Sheth et al functional value is the primary value in consuming. Functional value reflects the consumer as a rational human being that consumers emphasize on product utility. Ability to fulfill the task will generate functional value (Pura, 2005). Functional value is defined by rational economic valuation of individual (Roig, J.C.F., Gracia, J.S., Tena, M.A.M., Monzonis, J.L., 2006). Functional value may be derived from its characteristics or attributes such as reliability, durability, and price (Sheth, Newman, Gross, 1991:160). Functional value is measured with the desired characteristics of the product, product usability, and performance of the desired function (Smith & Colgate, 2007). Functional value in this research is defined as performance of the desired function.

Levy said that people buy product not only for what they can do but also what they mean (Hierishan & Holbrook, 1982). This means there needs to be emotionally and socially on consumers. Interaction of host and guest based on the principle of hospitality, generate emotional value and social value. Emotions are mental state of readiness that arise from appraisal of events or one's own thoughts; has a phenomenological process; is often express physically and may result in specific its nature and meaning for the person having it (Bagozi, 1999). Sheth et al stated that the perceived utility acquired from an alternative's capacity to arouse feelings or affective states. Smith & Colgate et al stated that emotional/experiential/hedonic value is concerned with the extent to which a product creates appropriate experiences, feelings, and emotions for the customer. In this research emotion value is positive feeling or affective aspects generated from product. One focus of discussion is the emotion in marketing Typology of emotion. Typology of emotion used in this study is the result of research Basky & Nash (2002) that investigated the types of emotions are in some category of hotel.

According to Levy (1959) in Maehle & Shneor (2009:50) purpose consumers buy a product because of personal meaning and social and the ability of these products reinforces what consumers think about himself. Customer looks for products that have a fit between self-concept with her/his social. Sirgy (1982: 288) argues that self-concept relates to the concept of the actual self image, ideal self image, social self image, and ideal social self image. One of consumption motives is for social self-image which is defined as the image of one's desire "held by others". Smith & Colgate et al argued that social value/symbolic/expressive value is concerned with the extent to which customers attach or associate psychological meaning to a product, measured with consumer's self-concepts and self-worth. Miladian & Sarvestani (2012: 226) concluded that the motive for buying and using products depending on what one wants to be seen by others. This study defined social value as a certain image of someone else.

Methodology and Finding

To test the customer perceived value model, used 100 guests at a 4 star hotel in Jakarta as convenience sampling method. For data processing use XLStat 2011. The hypothesis of this study is the customer perceived value (CPV) at 4 star hotel in Jakarta is the second order multidimensional construct, comprising seven dimensions: functional value-the building, the functional value-guest rooms, functional value-meals, functional value-service employee, functional value-price, emotional value and social value.

This hypothesis was proven by two stages. First, measure the dimensions of the variable (customer perceived value). Second, measure the indicators of each dimension as a second order scheme measurement. The measurement was intended to analyze the validity of the dimensions. If the value of the loading factor measurement model is greater than 0.50 or the value of the loading factor is bigger than the table at the significance of 5% the dimensions can be stated valid in measuring the variables. Construct Reliability is used to see the reliability or the level of reliability in measuring the dimensions of the variable. Construct Reliability must be greater than 0.70.

All indicators of functional value – building which consists of location of the hotel is within easy reach, the location of the hotel close to the business center, the hotel exterior and interior of the hotel are valid and reliable. Highest factor loading of functional value - building is hotel interiors (0.838), it indicates that the hotel interior is determining the functional value–building. Close to the business location (0.661) has the lowest factor loading.

All indicators of functional value – guestroom which consists of cleanliness of rooms, bed comfort, bathroom cleanliness, room amenities, in-room electronic equipment, room security are valid and reliable. Highest factor loading of functional value - guestroom is bed comfort (0.907), this indicates that the hotel interior are determining functional value– guestroom. Room security (0.744) has the lowest factor loading.

All indicators of functional value – meals which consists of varied menu, delicious food, food hygienic, cleanliness of the dining room are valid and reliable. Highest factor loading of functional value –meals is delicious food (0.877), this indicates that the delicious food is determining functional value–meals. The cleanliness of the dining room (0.782) has the lowest factor loading.

All indicators of functional value – service employees which consist of courtesy of employees who serve breakfast (steward), courtesy of employees who clean the rooms (housekeeper), speed of employees who serve the checkin and checkout, speed of employee who clean guestroom, employees in the front office is ready to help, steward respond to requests accurately are valid and reliable. Highest factor loading of functional value – employee mainly employees in the front office is ready to help (0.872) this indicates that they are determining functional value–service employee. Speed of employee who clean guestroom (0.787) has the lowest factor loading.

All indicators of functional value –price which consist of conformity between price and facilities, conformity between price and services, price is reasonable, price is economical are valid and reliable. Highest factor loading of functional value – price is conformity between price and services (0.923) this indicates that price is conformity between price and services are determining functional value–price. Price is economical (0.743) has the lowest factor loading.

All indicators of emotion value which consist of feel comfortable, feel appreciated, feel relaxed, feel free, feel proud, feel practical are valid and reliable. Highest factor loading of emotional value is feel relaxed (0.846) this indicates that they are determining emotion value. Feel practical (0.740) has the lowest factor loading.

All indicators of social value which consist of I get prestige from hotel reputation, I get prestige from hotel class, I get prestige from hotel brand are valid and reliable. Highest factor loading of social value is I get prestige from hotel class (0.958), this indicates that they are I get prestige from hotel class, determining social value. I get prestige from hotel reputation (0.922) has the lowest factor loading.

The results of the analysis of the measurement model Customer Perceived Values on the dimensions shows that all dimensions can be declared valid by the t value is greater than the t-value and the value of loading factor greater than 0.50. 7 dimensions of customer perceived value is also reliable because the composite reliability value is 0.921.

Tabel 1 Result of Customer Perceived Value Measurement Model on Its Dimensions

Dimension	Code	Path Coefisien	R ²	Varians Error	t-value	t-table	Conclusion
Fuctional value – buiding	X1	0.637	0.406	0.594	8.180	1.661	Valid
Fuctional value – guestroom	X2	0.838	0.702	0.298	15.203	1.661	Valid
Fuctional value – meals	X3	0.838	0.702	0.298	15.203	1.661	Valid
Fuctional value – employee	X4	0.874	0.764	0.236	17.806	1.661	Valid
Fuctional value – price	X5	0.721	0.520	0.480	10.300	1.661	Valid
Emotional value	X6	0.914	0.835	0.165	22.302	1.661	Valid
Social value	X7	0.682	0.465	0.535	9.231	1.661	Valid
Construct Reliability		0.921			5.906	1.661	Reliable

The results of the measurement model to prove the hypothesis that the functional value – building, functional value -guestroom, functional value – meals, functional value -employees, functional value - price, emotional value and social value are valid dimension in measuring customer perceived value in four star hotel.

Conclusion and Limitation

Customerperceived value in four star hotel is multi-dimensional and higher orderconstructformed ofsevendimensions ofthesecondorderand 33factorsin thefirst order.Inprevious studiethethe operationvariablesincustomerperceived valueareasuni-dimension construct. Thisstudyoperationalizedvariablesasconstructhigher orderaccording tothe specific natureof theconstruct. How toidentify thedimensionsaccording to thecharacteristics ofhospitalityservices. Limitations ofthis studyused non randomsampling. Resultscan not be generalized. Furtherresearch is requiredto useprobability samplingso thatresearch resultscan be generalized.It is better touse theEFAandCFA

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Appendix 1. Dimension, Instruments and Source of Instruments

Dimension	Code	Instruments	Sources
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Fuctional building	value	-	X1	Location of the hotelis within easy reach,	Sanches (2006); Roig (2006); Tanford, Raab, Kim, (2011)
			X2	The location of the hotelclose to thebusiness center	
			X3	The beauty of interior of the hotel	(Tanford, Raab, Kim, 2011
			X4	The beauty of the exteriorhotel	(Tanford, Raab, Kim, 2011
Fuctional guestroom	value	-	X5	Cleanliness of rooms	Pisnik & Milfelner (2008); Tanford, Raab, Kim (2011)
			X6	Bed comfort	
			X7	Bathroom cleanliness	
			X8	In roomamenities	Tanford, Raab, Kim (2011)
			X9	In-room electronicquipment	Tanford, Raab, Kim (2011)
			X10	Security ofroom	
Fuctional value -meals			X11	Varied menu,	Ha & Jang (2009); Qin, Hong;Prybutok, Victor R (2008)
			X12	Deliciousfood,	
			X13	Hygienicfood	Qin, Hong;Prybutok, Victor R (2008)
			X14	Cleanliness ofthe dining room	
Fuctional employees	value	-	X15	Courtesyof employees who servebreakfast(steward),	
			X16	Courtesyof employeeswho clean the rooms(housekeeper),	
			X17	Speedof employeeswho servethe checkin and checkout,	
			X18	Speed of employee whoclean guestroom,	
			X19	Employeesin the front officeis ready to help,	
			X20	Steward respond to requests accurately	

Functional value -price	X21	Conformity between price and facilities	
	X22	Conformity between price and services	
	X23	Price is reasonable	Petrick (2004); Saanchez (2006); Williams & Soutar (2009)
	X24	Price is economical	Petrick (2004);
Emotional value	X25	feel comfortable	Basky & Nash (2002);
	X26	Feel appreciated	Basky & Nash (2002);
	X27	Feel relaxed	Basky & Nash (2002);
	X28	Feel free	Basky & Nash (2002);
	X29	Feel proud	Basky & Nash (2002);
	X30	Feel practical	Basky & Nash (2002);
Social value	X31	I get prestige from hotel reputation	
	X32	I get prestige from hotel class	
	X33	I get prestige from hotel brand	

Appendix 2. Multi-Dimensional of Customer Perceived Value

